

APPENDIX E

Authorization to Amend Method of Financing – The University of North Carolina at Greensboro

At its May 2005 meeting, the Board of Governors approved a request from the Board of Trustees of the University of North Carolina at Greensboro to establish a new capital improvements project, Guaranteed Energy Savings Projects, to provide for the improvement of energy efficiencies on campus. The result would be cost savings sufficient to pay for the project, which would be financed over a maximum term of twelve years. The estimated cost of installing all energy efficient devices was \$5,809,000. Total guaranteed cost savings was \$6,253,000.

In Session Law 2002-161 (An Act to Promote Energy Efficiency in State-Owned Buildings), the General Assembly enabled state agencies to utilize guaranteed energy savings contracts as a method to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts. The contracts would be forwarded to the State Treasurer who would provide funding through an investment vehicle of his choice which would be reimbursed by the campus over a twelve-year period. The energy service company must guarantee that 100% of the savings would be achieved and was liable for any shortfall.

Since the Board's approval, the Office of the State Treasurer has advised UNCG that, pending sufficient interest state-wide to justify this issuance of debt by the Treasurer, an alternative method for financing the project would be a lease-purchase agreement between a vendor and the University. UNCG has requested that their authority to use an energy performance contract be expanded to include the lease-purchase financing option.

It is recommended that the change to the method of financing as requested by the University of North Carolina at Greensboro be approved and that the proposed contract be forwarded to the Department of Administration, the Office of State Budget and Management, the State Treasurer, and the Council of State for final approval.